In conclusion, Congress has many opportunities to advance the worthy cause of reducing child exploitation. I call on my colleagues to continue this noble cause and pledge my continued support to advance appropriate legislative endeavors.

FISA

Mr. HATCH. Finally, I wish to briefly turn to FISA. This Congress has been working on FISA modernization for over 400 days with apparently no end in sight. Should it take this long? The Constitution of the United States was written in about 115 days. That included travel time on horseback for the Founding Fathers.

Congress has had plenty of time to debate this issue. We have to make sure we do not create unnecessary obstacles for intelligence analysts to track terrorists. As has been said, they can't connect the dots if they can't collect the dots.

While negotiations continue, it is important to look at the two bills that have passed the Chambers. Let me paint a picture, a Tale of Two Bills, if you will. One bill was available for the public to review for over 4 months, went through 2 committees, had 2 weeks of floor debate including votes on 13 amendments, and passed the Chamber with a huge bipartisan veto-proof majority.

The other bill was available for review for 2 days before receiving a vote. It went through no committees, had 1 hour of floor debate, allowed no amendments, and failed to receive bipartisan support, while barely passing the Chamber. Any negotiator would say the first bill in this instance would be the basis for negotiation, not the other way around. I am sure it is no surprise to anyone that the first one I described is the Senate-passed bill.

Make no mistake, I will not support any compromise that disregards the extensive work of the Senate in order to facilitate a quick political fix.

I appreciate those who are standing tall on the FISA bill in both Houses. I hope we continue to do so because our very country is in jeopardy if we do not.

Also, I wish to personally pay tribute and give my gratitude and thanks to the distinguished Senator from North Dakota for his kindness in allowing me to make these remarks out of turn because they are important remarks. I would feel badly if I didn't get on the floor and make these remarks. It was a very gracious thing for him to do.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota.

Mr. CONRAD. I thank my colleague, Senator HATCH. He is always gracious. I also thank him for his words on Senator KENNEDY because we know they have shared a close association in the Chamber for many years.

I also thank him for his leadership on child pornography. It is pretty sick, some of the things that go on. It is almost hard to believe. I saw the slide the Senator from Utah showed about activity on just 1 day of this year, earlier this month. It is almost hard to comprehend. We thank him for his leadership there as well.

Mr. HATCH. I thank my colleague for his kindness. He has always been very gracious and particularly gracious to me.

MORNING BUSINESS

Mr. CONRAD. Mr. President, I ask unanimous consent that we be in a period of morning business, that Senators be permitted to speak for up to 10 minutes each, and that the clerk keep a close count on the time consumed and that this period be for debate only. We are asking colleagues—we do not have a unanimous consent agreement—but we are asking colleagues to confine their remarks to the budget because we have up to 10 hours and, in the interest of getting the work of the Senate done before the break, it will be most effective and most efficient if we can focus our time on that.

I ask unanimous consent that after I am done, Senator GREGG be recognized, that I be allowed such time as consumed and the Senator then be given that same opportunity.

The PRESIDING OFFICER (Mrs. MCCASKILL). Without objection, it is so ordered.

THE BUDGET

Mr. CONRAD. Madam President, we are now considering the conference report on the budget. For the knowledge of my colleagues, and especially my colleague, Senator GREGG, I will consume somewhere in the range of 35 minutes. If he has other things to do, we can get that word to him so he is not inconvenienced while I make an opening statement.

Here is what we are confronting—a very dramatic deterioration in the budget condition of our country. You can see, in 2007, the official deficit was $162 billion; that is down from what had been record levels. We achieved an all-time—not achieved, there is no achievement to it—we saw an all-time record deficit in 2004 of $413 billion. That became the record. The year before was the record up until that point—$378 billion in the red. Of course, the real situation is far worse because this does not disclose how much the debt has been increased.

Then we saw some improvement, to 2007, a deficit of $162 billion. But now we are right back at record levels—$410 billion estimated for this year. I believe it is going to be even worse, and 2009 will be about the same level.

When I talk about debt, here is what I am talking about. The gross debt of the United States has gone up like a scalded cat under this administration. When this President came into office at the end of the first year, the debt stood at $5.8 trillion. By the time we are done with the 8 years he will have been responsible for, the debt will have increased to more than $10.4 trillion—a near doubling of the debt of the country. Increasingly, this money is being borrowed from abroad. As this chart shows, it took 42 Presidents—all the Presidents pictured here, 224 years to run up $1 trillion of U.S. debt held abroad. This President has far more than doubled that amount in just 7 years. There are over $1.5 trillion of foreign holdings of U.S. debt run up by this President in just 7 years. He has taken what 42 Presidents took 224 years to do and he doubled it and then added another 50 percent to foreign holdings of U.S. government debt. The result is we owe Japan over $600 billion, we owe China almost $500 billion, we owe the United Kingdom a little over $200 billion, we owe the oil exporters over $150 billion. My goodness, we owe Hong Kong over $60 billion. We now owe Russia over $40 billion. That is a sad fiscal record, but that is the legacy of this President's fiscal policy.

This tremendous runup in foreign debt means we have spread dollars all over the world and are now increasingly dependent on the kindness of strangers to finance our debt here. One of the results of that has been a substantial drop in the value of our currency. If you think about it, the value of a currency is in part a reflection of supply and demand. When you put out a tremendous supply of dollars, guess what happens to the value of the dollar—it goes down. That is what has happened.

You can see back in 2002, this is Euros per dollar. It was 1.13 in January 2002. Through the end of last month, we were down to .63. The value of the dollar against the Euro has dropped like a rock. It has dropped 44 percent.

If anybody is wondering why food prices are going up so rapidly, why oil prices are going up so rapidly, here is one of the key reasons. Those commodities are sold in dollar terms in the world market. When the dollar goes down in value, guess what happens to the value of commodities: there is tremendous upward pressure on their value. That is what, in fact, has happened.

We have also seen the economic growth of the country stagnate. You can see, if we look at the nine previous business cycles we have experienced since World War II, you can see that economic growth averaged 3.4 percent a year during previous business cycle expansions. But, if we look at average annual economic growth since the first quarter of 2001, we see it is stagnating at 2.4 percent.

Something is happening in this business cycle that is unlike what we have seen in the nine major business cycles we have seen since World War II. We see this recovery is much weaker. We see it in job creation; we see it in business investment.

For example, on job creation, if you look at job creation, again looking at the nine previous business cycles since World War II, and you look at the months after the business cycle peak and look at job creation—this dotted red line is the average of the nine other major business cycles since World War II—that is the dotted red line. Now, this other line is the current business cycle. You can see that we are 10.3 million private sector jobs short of the typical recovery since World War II. In other words, if you take all the previous nine major business recoveries since World War II and you average them, compare them to this business recovery, we are running 10.3 million private-sector jobs short in this recovery.

What does that tell us? That tells us something is wrong, something is wrong with our economic performance.

We don't just see it in job creation. We see it in business investment. Again, the dotted red line is the average of the nine previous recoveries since World War II. The black line is this recovery. You can see that we are now running 59 percent below the pace of business investment at the same point during the nine previous recoveries. Something quite significant is happening in terms of our national economy. Anybody who does not see this and understand it and seek to find solutions to it, I think is missing the point. There is something wrong with the underlying economy that has been affecting us since 2001. It is so atypical, it is so different than the other nine recoveries since World War II.

This budget resolution seeks to address some of what we know. It seeks to strengthen the economy and create jobs in several different ways, first, by investing in energy, education, and infrastructure. We think those are priorities to strengthen the economy. It expands health care coverage for our children; it provides tax cuts for the middle class; it restores fiscal responsibility by balancing the budget by the fourth and fifth year of this 5-year budget plan.

It also seeks to make America safer by supporting our troops, by providing for veterans health care, by rejecting our homeland and rejecting the President's cuts in law enforcement, the COPS Program, and for our first responders, our emergency personnel, our firefighters, our emergency medical responders.

In terms of the tax relief that is in this budget resolution, this budget conference report that has come back from an agreement with the House of Representatives, we do the following things. We extend middle-class tax relief, specifically: the marriage penalty relief is provided for; the child tax credit is provided for; and an extension of the 10-percent bracket.

We also provided for alternative minimum tax relief, because we know if we did not, the number of people who would be exposed to the alternative minimum tax would explode from roughly 4 million now to 26 million if we failed to take action.

We also provided for estate tax reform. Right now we are in this bizarre situation where the estate tax goes up to $3.5 million of exemption per person in 2009; the estate tax goes away completely in 2010, there is no estate tax; and then in 2011, it comes back with only a $1 million exemption. We say that makes no sense at all. We should extend the $3.5 million provision per person, $7 million a couple, and index it for inflation.

We also provided for energy and education tax cuts to provide incentives to develop alternative forms of energy and reduce our dependence on foreign oil. We also provided property tax relief and, of course, the popular and important tax extenders, things such as the window energy credit, the solar credit, the research and experimentation credit. All of those are provided for in this budget.

We balance the books by the fourth year, $22 billion in the black, or in this case in the green, by 2012. By 2013 we maintain balance, all the while we are bringing down the debt as a share of gross domestic product from 69.3 percent of GDP to 65.6 percent of GDP in 2013. So we are bringing down the debt as a share of gross domestic product each and every year of this budget resolution. Let me be the first to say, that is not enough. We need to be doing more. I will say in a minute how I think we can and should do more. But this is an important beginning.

One of the ways we do it is we restrain spending. Under this budget conference report, we bring down spending as a share of GDP each and every year of the 5-year plan from 20.8 percent of GDP down to 19.1 percent in 2012 and 2013.

The other side will be quick to say, but you are spending more money than the President is. That is true, we are spending somewhat more money than the President, because we have rejected his cuts to law enforcement, to our first responders, and to other things we think are priorities of the American people.

But when they talk about the difference in spending, they have a tendency to dramatically overstate the difference. Here is the difference between our spending line, which is in green, and the President's spending line. If you are looking at this on television, you probably cannot see any difference. That is because there is almost no difference between our spending line and the President's spending line.

In fact, for this year, the difference in total spending between our budget and the President's budget is 1 percent. That is the difference, 1 percent. Over the life of this 5-year plan, you can see it is a very modest difference.

Let me turn to 2009, because that is the most immediate year covered by this budget plan. You can see the Bush budget calls for $3.03 trillion of spending. We call for $3.07 trillion of spending. Again the fundamental differences are, we are investing in education, in energy to reduce our dependance on foreign oil, and on infrastructure which is so critically important to our future economic success.

On the revenue side of the equation, we also have somewhat more revenue than the President's plan because we have lower deficits and lower debt than the President's plan. Here you can see the difference. The green line is our revenue line; the red line is the President's revenue line. You can see in the first 2 years there is virtually no difference between our revenue lines; they are right on top of each other. In 2011 there is a slight difference, and 2012, 2013, as we climb out of deficit and balance the books.

But again the differences are quite modest, and here they are over the 5 years. We are calling for $15.6 trillion of revenue, the President is calling for $15.2 trillion of revenue. That is a difference of 2.9 percent. That is the difference between the revenue we have proposed, which leads to lower deficits and lower debt than the President's plan.

You will hear our friends on the other side say, this represents the biggest tax increase in the history of the world. We beg to disagree. We do not think any tax increase is necessary to meet these numbers. If someone is listening and they heard me say, well, Senator, you said you have got more revenue, although it is only 2.9 percent more revenue, than in the President's plan, but you say you can do that without a tax increase, how is that? How can you do that?

Well, here is how I would propose to do it. First, the Internal Revenue Service estimates the tax gap, the difference between what is owed and what is paid, is $345 billion a year, the difference between what is owed and what is paid.

Now the vast majority of us pay what we owe. But unfortunately there are an increasing number of people and companies who do not pay what they owe. That difference is now estimated at $345 billion a year. That goes back to 2001. I personally believe it has grown substantially since then so it would be a higher number. But that is not the only place where there is leakage in the system. I have shown this chart many times on the floor of the Senate. This is a five-story building in the Cayman Islands called Ugland House. This little building down in the Cayman Islands is the home to 12,748 companies. Let me repeat that. This little five-story building down in the Cayman Islands is the home, at least they say it is their home, to 12,748 companies. They say they are all doing business out of this building.

Now I have said that is the most efficient building in the world, little tiny building like that, and it houses 12,000 companies. How can any building be that efficient? Well, we know they are not doing business there. They are doing monkey business, and the monkey business they are doing is to avoid taxes in this country. And how do they do it? Well, they operate through a series of shell corporations, and they show their profits in the Cayman Islands instead of the United States to avoid taxes here. Why would they do that? Do they not have taxes down in the Cayman Islands? No. Is that not convenient? So they do not show their profits here, even though they make their profits here, they show their profits down in the Cayman Islands. That is the kind of scam that is going on. If you doubt it, here is a story that came to us from the Boston Globe on March 6 of this year:

> Shell companies in the Cayman Islands allow KBR [that is Kellogg, Brown and Root] the nation's top Iraq war contractor, and until last year a subsidiary of Halliburton, has avoided paying hundreds of millions of dollars in Federal Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.
>
> More than 21,000 people working for Kellogg, Brown and Root in Iraq, including about 10,500 Americans, are listed as employees of two companies that exist in a computer file on the fourth floor of a building on a palm-studded boulevard here in the Caribbean. Neither company has an office or phone number in the Cayman Islands, but they claim it is their home.

This is a scam. That is what is going on here. This is the largest defense contractor in Iraq, and they are engaged in a total scam to avoid taxes in this country. If this does not make people angry, I do not know what it would take, because what they are doing is they are sticking all of the rest of us who are honest with our tax obligations. It does not stop there.

Here our own Permanent Committee on Investigations issued this report last year:

> Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches $100 billion per year, including $40 to $70 billion from individuals, and another $30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.

So when somebody says: Well, you have got to raise taxes to produce 2.9 percent more revenue than the President has called for, I say, no, you do not. Let us go after some of this stuff. Let us go after these offshore tax havens. Let us go after these abusive tax shelters. Let us go after this tax gap.

Now, the other side will say, well, there is nothing you can do about it. Well, certainly there is nothing you can do about it if you do not try. You cannot do a thing if you do not try. But if you try, you can get this money. Let me say, I know you can, because I used to be the tax commissioner for my State. I was the chairman of the Multistate Tax Commission. I went after this money. I got hundreds of millions of dollars for my little State of North Dakota going after some of these scams. The United States could do much more.

Here is a picture of a foreign sewer system. This is a sewer system that is in France. Why do I put up a picture of a sewer system in Europe when I am talking about the budget of the United States? Well, because the two have a linkage. What is the linkage? The connection is that we actually have investors in this country buying European sewer systems, not because they are in the sewer business, no, no, no. They are buying European sewer systems to reduce their taxes in this country. How do they do it? It is very simple. They go over, they buy a European sewer system, they then show that on their books as a depreciable asset. They depreciate it over a period of years to reduce their taxes in this country, and then lease the sewer system back to the European city or municipality that built it in the first place.

Now, why should we allow that? This is the kind of thing I think we can shut down and easily achieve 2.9 percent more revenue than the President has proposed. The question comes, well, why haven't you done something about shutting down these scams already? There is a very simple reason we have not. It is called the President of the United States. Because the President of the United States has repeatedly blocked attempts to shut down these scams.

Here are a few of the examples. We tried to codify economic substance, prohibiting transactions with no economic rationale, things that were done solely to avoid taxes. The President threatened a veto.

We tried to shut down schemes to lease foreign subway and sewer systems and depreciate the assets in this country. The President threatened a veto.

We proposed ending deferral of offshore compensation by hedge fund managers trying to evade taxes in our country. The President threatened to veto it.

We proposed expanding broker information reporting so we could close down some of this tax gap. The President threatened a veto.

We proposed taxing people who give up their U.S. citizenship in order to evade taxes here in America. The President threatened a veto.

Now, I have indicated, I have acknowledged, we have 2.9 percent more revenue in our plan than in the President's budget.

The other side will say: Biggest tax increase in the history of the world. That is exactly the same speech they gave last year. Now we have the benefit of a record. Because we can look back, we can look at the speeches they gave last year, and we can look at what has actually happened this year. We can see, what did this Democratic Congress do? Did they raise taxes? No. In fact, here is precisely what happened: They reduced taxes in the House and the Senate by $194 billion. They had offsetting loophole closers, for a net tax reduction of $187 billion.

Anybody who is listening can reality test. Just go to your mailbox. Have you gotten a little check from the U.S. Treasury representing a tax cut as part of a stimulus package? Millions of Americans have, and millions more will. That is part of this $194 billion of tax reduction that has occurred with Democrats running both Houses, despite claims of our colleagues on the other side that we were going to have the biggest tax increase ever.

We all know some of the things that are happening in this economy. One is that gasoline prices are soaring. I filled up my car last week. I have a 1999 Buick. I know people think all Senators have limousines and drivers. Not me. I have a 1999 Buick that I drive myself. I filled it up last week, $52.19. The price of gasoline has soared.

In January of 2001, gas was $1.47 a gallon; in May of 2008, $3.79. We are hearing by Memorial Day gas average $4 nationwide. We have addressed that in this budget by investing in energy, creating green jobs, reducing dependence on foreign oil, and strengthening the economy.

We have provided for energy tax incentives in this budget. We have provided for $2.8 billion over the President's budget for energy to provide for alternative sources of energy, homegrown sources of energy so we are less dependent on foreign oil. We have also created an energy reserve fund to invest in clean energy and the environment. But we know skyrocketing gas prices are not our only problem.

We also know if we look at what is happening to education, we are falling behind our global competition. This is one metric to look at that, the number of engineering degrees in China and the number of engineering degrees in this country. The red line is China's engineering degrees. You can see they are absolutely soaring. There are over 350,000 a year graduating as engineers in China. In this country, we are down here at about 75,000 engineering graduates. Engineering is critical to future economic growth. We know that. So that has to be a concern. Here, China is now graduating 350,000 engineers a year; we are in the 75,000 range. That is something we have to pay attention to. Obviously, I have used one example. There are many others.

This budget resolution invests in education to generate economic growth and jobs, to prepare our workforce to compete in a global economy, to make college more affordable, and to improve student achievement. We have provided for education tax incentives to encourage people to go to college. We have provided $5.5 billion over the President's budget in discretionary funding for education, and we have created an education reserve fund for school construction and for the reauthorization of the higher education legislation.

It doesn't stop there. We also have serious infrastructure issues in this country. Here is a picture of the dramatic collapse of the bridge on 35–W between Minneapolis and St. Paul last year. I am acutely familiar with this bridge because when my wife was in medical school, I went across that bridge many times a week. Can you imagine the absolute horror of the people who were on that bridge? Here are the cars of people who were on that bridge when it fell out from underneath them. This was at rush hour last year, one of the most heavily used bridges in the State of Minnesota.

This budget seeks to address infrastructure by providing targeted investments to repair crumbling roads and bridges, improve mass transit, expand airports and schools. It creates a reserve fund to allow for major infrastructure legislation. It provides $2.5 billion more than the President for key discretionary transportation accounts. It fully funds highways, transit, and increases funding for the Airport Improvement Program.

This budget resolution also deals with other critical national priorities, including fully funding the defense requests of the President. The President has asked for $2.9 trillion over the next 5 years. This budget provides $2.9 trillion. We also provide $3.3 billion more for our veterans health care than the President. The President has called for $44.9 billion over a 5-year period. We have adopted the independent budget, which is a budget that was put together by the veterans organizations to more fairly reflect the needs we see coming because of veterans coming back from Iraq and Afghanistan. We have allocated $3.3 billion more than the President for that purpose. We think we owe these veterans the high-quality care they were promised.

All of us who have been to our VA hospitals, who have been to Walter Reed, are acutely aware of the need for more investment in those facilities. We have also provided in this budget, in fiscal year 2009, $2.8 billion more than the President's budget for law enforcement and first responders. Inexplicably, at least to this Senator, the President has called for the complete elimination of the COPS Program. The COPS Program has put 100,000 police officers on the street, over 200 officers on the street in my home State of North Dakota. The President, in his budget, didn't just call for cutting that program. He called for its total elimination. It makes no sense to me. I just had my house here broken into while I was back home during the break. I have a fellow who rents from me in the basement. He came home from work and our place had been broken into. The place was totally trashed. Many of his things were stolen. Why we would take police off the street when, in jurisdiction after jurisdiction, we are facing heightened criminal activity doesn't make any sense.

I am getting to the end. I know my colleague has been riveted listening to me talk about these charts. He has only had a chance to see them maybe 12 times. I thank him for his patience.

We also have budget enforcement in the budget resolution, discretionary caps for 2008 and 2009. We maintain a strong pay-go rule that I know my colleague will probably want to comment on. We also have a point of order against long-term deficit increases, a point of order against short-term deficit increases. We allow reconciliation for deficit reduction only. I know this is a place where my colleague will agree. I am sure he is pleased that we don't have a reconciliation instruction in this conference report for any other purpose, and we have no reconciliation instruction for any purpose.

We also have a point of order against mandatory spending on an appropriations bill. Again, this is something the Senator will strongly support because we have seen the games that were beginning to be played when the appropriators figured out they could start to do that. We tried to shut it down or at least to create a budget point of order, maintain a budget point of order to prevent that practice from expanding.

The budget conference report also addresses long-term fiscal challenges. I don't want to overstate this because, the truth is, I don't believe an annual budget resolution is the place to deal with the long-term fiscal challenges facing the country. The annual resolutions tend to be done on a partisan basis. Our fiscal challenges are so big, so deep, my own conviction is this has to be done with a special process, a special procedure.

The Senator, who is the ranking member of the Budget Committee, and I have teamed up to offer our colleagues legislation that would create a bipartisan task force that would be responsible for coming up with a plan to deal with our long-term challenges, our fiscal challenges, the imbalance between spending and revenue, and the overcommitments we have made on the entitlement programs.

The proposal we have made is very different from what others have made because our proposal would require a vote in the Congress, not another commission report that sits on a dusty shelf somewhere. That is not going to cut it. We need a plan. We need a plan that is bipartisan. We need a plan that gets a vote. The Senator and I have a plan to do that.

While we are getting ready for that process to occur—and I hope it will—we have provided for a comparative effectiveness reserve fund to deal with health care, a health information technology reserve fund—the Rand Corporation has told us we could save $80 billion a year if we had information technology widely deployed in the health area, program integrity initiatives to crack down on waste, fraud, and abuse in Medicare and Social Security, and a long-term deficit point of order to guard against legislative initiatives that would increase the long-term deficit.

Finally, as I mentioned, Senator GREGG and I have a proposal to address these long-term imbalances, a panel of lawmakers and administration officials with an agenda of everything being on the table, with fast-track consideration, and a requirement that Congress must vote. If the members of this task force, at least a supermajority of them, were to agree on a plan, that plan would come to Congress for an assured vote and a further assurance that there would be a bipartisan outcome because we would require not only a supermajority of the task force to report a plan but a supermajority in Congress to pass it as well.

Before surrendering the floor, I thank Senator GREGG for his many courtesies and the very constructive way that he has helped run the Committee on the Budget throughout this year. He is a gentleman, a person of honor whose word is gold. I deeply appreciate that. I also appreciate very much the professionalism of his staff.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Madam President, first, I thank the chairman of the committee, the Senator from North Dakota, for his generous comments and reciprocate by saying it is a pleasure to work with him. Obviously, we have disagreements or we wouldn't be in different parties. That is the purpose of democracy. You have disagreements and reach some conclusion that, hopefully, is constructive for all.

The budget, unfortunately, tends to be a uniquely partisan statement of a party's political positions. Therefore, it is more difficult to reach agreement, especially when the Congress has both Houses of the same party. But that doesn't mean you can't do it in a cordial and, hopefully, constructive way, have your disagreements, and make your points.

I appreciate that the Senator from North Dakota has always been cordial and professional and constructive, as has his staff, to say the least.

I don't want to start off with too much hat tipping to the Senator from North Dakota; I don't want to get carried away. Let me simply say this: It is important that the Congress have a budget. It is uniquely the Congress's responsibility to have a budget. Although the President's budget gets soundly beaten about the ears here, the President's budget is not a factor in the sense that it is part of the congressional budget process.

The congressional budget is uniquely an entity of the Congress. The Congress passes it. It does not go to the President for his signature. The elements of the budget which are most important, such as the allocations to the Appropriations Committee, such as reconciliation instructions, are uniquely the purpose of the Congress as a way of giving a blueprint and defining spending and tax revenues within the fiscal policy of the Congress.

The Congress retains, under the Constitution, the right to the purse strings, and the budget is an element of exercising that right. So although the

President sends up a budget under the Budget Act, that budget rarely, if ever, becomes law. I am not aware it has ever become law. It is simply a point for discussion. When you have a Democratic Congress and a Republican President, it tends to be discussed less other than in opposition by the Congress.

So this budget is totally the responsibility of the Democratic Congress. It is passed by the Democratic membership of the Congress, not by the Republican membership of this Congress, and the President's input is at the margins, to say the least. But it is important there be a budget. Even though I may strongly disagree with it, I do think it is the responsibility of the Congress to do a budget.

Thirdly, as a note of appreciation, I do thank the Senator from North Dakota for his insistence that reconciliation instructions not be included in the bill. Reconciliation is an extraordinarily strong hammer which is contained within the Budget Act which allows basically the Budget Committee to, hopefully, control the expansion of entitlement programs. Unfortunately, last year, it was used to expand Government, not to control the rate of expansion of Government, and that was a mistake, a serious mistake that undermined, in my opinion, the integrity of the act. I am glad we are not doing it this year, and I appreciate the Senator from North Dakota insisting on the Senate position on this issue.

To address the budget specifically, this budget, as it is brought forward by our colleagues, by the Democratic membership, is a ''back to the future'' budget. You hear Senator OBAMA say he wants change. Well, this is ''back to the future'' change. It is essentially a restatement of things which always happens under a Democratic Congress. It says: Yes, we can raise taxes and a lot of taxes. It says: Yes, we can increase spending and a lot of new spending. It says: Yes, we can run up the debt and a lot of new debt. It says: Yes, we will not address entitlements and the fact that entitlement spending is a major threat to our fiscal integrity.

It is a ''back to the future'' budget. The term ''tax and spend'' exists. It may be trite, but it exists because it is accurate. This budget has the largest increase in taxes in the history of the world. It has one of the largest increases in spending. It has a $500 billion increase in entitlement spending, a $200-plus billion increase in discretionary spending. The debt goes up $2 trillion under this budget. And it is on the watch of the other party. Those are policies of the other party that are being put in place, and they are not good policies. They are not healthy. They are not constructive for the American people.

The budget, as I outlined, has the largest increase in taxes in the history of this world, especially this country, and it has an impact on working Americans. You hear a great deal, especially from Senator OBAMA, who is the presumptive nominee now of the Democratic Party after last night, that he is going to raise taxes to pay for all his programmatic activity, but he is only going to raise it from the wealthy.

Well, this budget does not assume, to begin with, most of the proposals by Senator OBAMA to spend money, but it does assume a tax increase. It assumes a $1.2 trillion tax increase, and that tax increase cannot be paid for only by wealthy Americans. If you take the top tax rate in America, and you raise it back to the top tax rate under the Clinton years, which would be 39.5 percent, every year you will add $25 billion of new revenue to the Federal Government, assuming people do not try to avoid taxes and reduce their tax liability, which wealthy people tend to do because they get accountants to show them how to do that. Well, that does not come anywhere near covering the additional taxes which are proposed in this budget, the $1.2 trillion—the $25 billion a year.

No, it is the families who are going to pay that. Forty-three million families in America will be hit under this budget, in the year 2011, with a tax increase of $2,300 or more. Those are working families, by the way. A family of four making $50,000 will have a $2,300 tax increase.

Seniors. Eighteen million seniors under this budget, in 2011, will see a $2,200 tax increase. Small businesses—the engine for economic activity, the engine for jobs in this country—27 million small businesses will see a $4,100 increase. There will be 7.8 million people brought onto the tax rolls who were taken off the tax rolls by President Bush. These are low-income individuals who no longer have to pay taxes as a result of the tax policies of the early 1980s. Those tax policies, by the way, worked. They worked. Yet there is tremendous opposition around here from the other side of the aisle to continuing those tax policies, as this budget points out.

The capital gains—I think we have a capital gains chart in the Chamber—the capital gains revenues during the last 4 years have jumped dramatically—dramatically—as a result of getting a capital gains rate which Americans feel is fair and are willing to pay. In fact, over $100 billion has been collected in the last 4 years from capital gains—$100 billion—more than was expected to be collected by the Congressional Budget Office.

Now, why is that? Why, when we cut the capital gains rate down to 15 percent, did we get more revenue? Well, as I have said before on the floor of the Senate, it is called human nature. If you say to somebody: We are going to give you a fair tax rate on your capital gains income, people will do things that generate capital gains. People do not necessarily have to do anything to generate capital gains. If you own a stock or you own a home or you own a small business and you feel the capital gains rate is too high, you would not want to sell that stock, home or small business because you would not want to pay all that money to the Government. But if the Government sets a fair capital gains rate—15 percent—then you say: All right, I will pay that tax in order to turn over that stock, in order to sell my business, in order to sell my home. I am willing to take that tax rate.

So people go out and they do things which generate economic activity. They generate capital gains. That generates revenue to the Federal Government. That is what has happened here. We have generated significant amounts of revenue we did not expect because people were willing to undertake activity which was taxable.

It has a second very positive effect, besides getting a lot of revenue in the Federal Government. A low capital gains rate—a reasonable capital gains rate—causes people to invest their money more productively. They go out and they take risks. Entrepreneurs take risks. Job creators take risks. Small businesses are started and jobs are created as a result of money being invested in a way that generates more jobs. It generates more activity, more entrepreneurship, more jobs.

This bill assumes the capital gains rate will be doubled. This bill assumes the rate on dividends may be more than doubled, depending on what your bracket is. This bill is a massive tax increase on working Americans and seniors. By the way, it is senior citizens who take the most advantage—and that is logical—of capital gains and dividend income. Most seniors have a fixed income. It is a dividend income. It usually comes from a pension they are getting or they invested in while they were in their working years or they have a home they sold, so they have a capital gains.

So the idea in this bill, which is to end the capital gains rate as it presently exists and raise it and to end the dividend rate as it presently exists and doubling it, that idea is going to disproportionately hit senior citizens. It is not going to raise the revenue that is projected in the bill because people are going to take tax-avoidance action.

But because of the way CBO scores things—it is static around here; there is no dynamic scoring—they claim this is going to raise all this revenue. It will not. But the fact is, those tax increases will slow this economy and damage working Americans and working families, as was shown by the prior chart. That is not fair.

Now, my colleague on the other side of the aisle will argue—and he argues all the time—that, no, we are not going to have a tax increase, even though the tax increase in the bill is the exact amount of money that CBO scores the ending of the capital gains rate and its increase and the ending of the dividend rate and its doubling—the exact amount of money that generates by CBO scoring.

So CBO at least is presuming, and the Democratic Party in setting forward this budget is taking advantage of, revenues that are expected to come from a significant increase in capital gains rates, dividend rates, and general rates. But we hear from the other side: Oh, we don't have to do that. We don't have to do that. They try to fudge this issue by claiming: We are going to collect this all from the tax gap.

As to the tax gap—the Senator from North Dakota probably went on for 15 minutes showing us buildings here and buildings there and subway systems here and subway systems there. Well, do you know something. We had testimony which totally rejects that. The Commissioner of the IRS came in and said: You couldn't possibly collect the type of dollars that are represented in this bill in tax increases from closing the tax gap. You can claim it in theory, but it will not happen in practice. This canard, so to say, has been used for years—years.

In 1987, the Senator from North Dakota said: I pound away at the need for a share. He said: That includes the tax gap between what is owed and what is paid. He said that in 1987.

In 1990, he said: It is both fiscally irresponsible and insulting to the vast majority of honest taxpayers in this country if we fail to tap this revenue from those who have not complied.

Then again, last year, he said: If we collect 15 percent of the tax gap, it would be over $300 billion, and that alone would come close to meeting the revenue needs under our budget.

That was last year's budget, by the way. How much did they collect from the tax gap? Zero. How much did they collect from the tax gap in 1987, when he first made this statement? Zero. How much did they collect in 1990, when he made the statement again? Zero. Throughout the 1990s, through the 2000s, the tax gap is not being closed.

In fact, instead of being closed, last year, they cut the funding to the IRS, those elements of the IRS who would most logically be people who would go out and collect extra money if it was owed. So this whole tax gap thing is nice rhetoric, but it has no substance, and it is not defensible on its face in light of the numbers in this bill. What is in this bill is the largest increase in taxes in the history of this country—$1.2 trillion.

Now, there is, in addition, the issue of the debt. The Senator from the other side is fond of pointing to the President, saying: He has increased the debt this much, he increased the debt this much. Yes, the debt has gone up significantly. I do not like that. Nobody likes that. But you cannot wash your hands of it when you produced the budget last year that added $200 billion to the debt—well, $400 billion it was going to add to the debt. I am sorry. I misstated. Over $400 billion will be added to the debt for the first Democratic Congress's budget—$400 billion. This budget presumes another $370 billion to that debt.

So this wall of debt chart—yes, the President of the United States, because he put forward budgets that increased the debt, deserves some significant responsibility here, but so do our colleagues on the other side of the aisle who are producing this budget. There is $2 trillion of new debt added to the wall of debt under the Democratic budget.

You could reduce that. You could reduce that by not spending so much money, which gets us to the next point. The spending in this bill goes up significantly. We passed the trillion-dollar threshold—$1 trillion of discretionary spending—in this bill.

Now, I suggested—and I agree it would maybe be a statement more of an attempt to make a point than a substantive event, but I suggested we set spending limits in this bill which would keep discretionary spending under $1 trillion. That would have meant that instead of increasing spending in this bill, as the Democratic proposal does, by $24.5 billion next year—which, by the way, is the 1-year number that goes up over 5 years and represents over $200 billion in new discretionary spending—they would have only been able to increase spending by $10 billion and then they would have stayed under the $1 trillion limit. But they couldn't even do that. I mean the desire to go out and spend is a genetic effect; it is a genetic existence in the Democratic position. That is why we have different parties. They believe the Government is better when it is bigger. They believe the Government is better when it takes your money and spends it. They believe Government knows how to spend your money better than you do and therefore, when they are in control—which they are and which they have been—they significantly raise your taxes and they significantly increase spending.

This budget isn't any different. As I said, it is back to the future. Is this change? It is change that takes us back to where we were when we had the last Democratic Congress. Significant increases in spending, and the budget doesn't even account for most spending which we know is coming down the pike which has already been signed on to by the majority of this party on the other side of the aisle.

For example, we have pending in the wings later today or tomorrow a supplemental that is going to add spending in the area of unemployment insurance of $15 billion, spending in the area of veterans of $54 billion. We have a farm bill coming at us that is a $300 billion bill. We have an AMT fix which this budget claims to pay for, but which we know won't be paid for, of $70 billion. The numbers go up and up and up and up, the debt goes up and up and up and up, the spending goes up and up and up, and the taxes go up and up and up. There can be no denying that. It is the way it is. I understand there is a difference of opinion, but I think it ought to be admitted to by the other side. There shouldn't be an attempt to obfuscate it by claiming we are going to get taxes from the Oz somewhere behind the curtain. The tax revenues are going to come out of working Americans. It shouldn't be claimed we are going to generate a reduction in spending when we are generating an increase in spending, and a fairly significant one. The other side of the aisle holds up this chart and says there is no real difference between the President's number and our number. ''Ours is a 1 percent difference.'' But 1 percent on $3 trillion is $300 billion. I don't know where they come from, but $300 billion is a huge amount of money—a huge amount of money.

Mr. CONRAD. Would the Senator yield on the math?

Mr. GREGG. I would yield.

Mr. CONRAD. I say to the Senator a 1-percent difference is a 1-percent difference, whatever the denominator is. One percent is a very small amount of money. I think the Senator would acknowledge that 1 percent difference is—

Mr. GREGG. I reclaim my time then. The point is I don't consider $300 billion a small amount of money. Now, maybe it is a small amount of money in North Dakota, but I do know that $300 billion would run the State of New Hampshire for I think approximately 10 years. Maybe it would only run the State of North Dakota for a couple of years, because I know you have big budgets up there, but I think it is a lot of money, $300 billion. So that is—

Mr. CONRAD. Would the Senator yield for one more moment on the numbers? One percent of $3 trillion, I think the Senator would acknowledge, is not $300 billion, it is $30 billion?

Mr. GREGG. Well, Madam President, I am happy to reclaim my time. Thirty billion dollars is a lot of money in New Hampshire. It would run the State for 10 years.

Mr. CONRAD. But would the Senator acknowledge that the $300 billion that he referenced is simply not accurate.

Mr. GREGG. No, I wouldn't, because $300 billion is a 5-year number. But I thank the Senator for making it clear that he agrees with the fact that $30 billion is a lot of money. Maybe he doesn't agree that $30 billion is a lot of money. I think $30 billion is a lot of money.

Mr. CONRAD. I would say—

Mr. GREGG. I have the time, Madam President. I have the time.

So we are talking about big dollars, real dollars and lots of new spending. Under any scenario, we are talking a number which is going to drive large tax increases not only next year but in the outyears for working Americans in this country, and it is not right to do that to them, in my humble opinion—well, in my opinion. It is not necessarily humble. I apologize.

There is another point here that needs to be made, which is there is a claim in this budget that they have put in some sort of enforcement mechanisms called pay-go. They keep returning to pay-go as an enforcement mechanism. To begin with, they have waived pay-go, adjusted pay-go or manipulated pay-go on at least 17 different occasions for well over $175 billion in new spending. Pay-go is only used as a vehicle to try to increase taxes. If somebody wants to cut your taxes, they will claim pay-go and you have to increase somebody else's taxes to do that. But when it comes to spending around here, as we saw with the farm bill that rolled through here, pay-go has no relevance at all. It is adjusted by changing years. It is adjusted by moving numbers around. It is adjusted by, as in the SCHIP bill, artificially ending a program when you know the program is not going to end. It is scammed. So there is no credibility to claiming pay-go is in this bill.

Furthermore, real pay-go isn't even in this bill. Real pay-go says you match the year of the spending to the year of the cost, the year it is going to be offset against. This bill doesn't do that. The first year of pay-go under this bill—- you can claim you are going to offset a new spending program in the fifth year under this bill. So you game that system right to the end.

Then there is the alleged tax proposal in this bill—the Baucus amendment, as it is referred to. Well, we went through this exercise last year. The Baucus amendment was brought forward last year and the other side of the aisle put out a lot of press releases claiming they had extended the tax cuts within the Baucus amendment which included things such as the childcare tax credit and the spousal marriage penalty and I think R&D tax credit. They did a lot of press on that and there was a great deal of fanfare after they took the vote on the budget that claimed they were going to pass a bill which would accomplish these tax cuts, extending them. Where is the bill? Where is the bill? It never passed. There were no extenders passed. The whole amendment turned out to be a fraud. So they—well, it worked so well last year with the press release, they have done it again this year. They have done it again this year. They have claimed they are going to pass those extenders, which they didn't do last year, and they may do it this year, I don't know. I haven't seen anything yet that implies to me they are going to do it. But if they did do it, just to make darn sure that it actually never had any serious effect, they put language in the bill which basically creates a Rube Goldberg system where they take back the tax deductions if a deficit occurs. Well, they know a deficit is going to occur because they have already put in place spending initiatives which exceed the alleged surpluses they have in this bill. Just the veterans benefit we are going to vote on tomorrow theoretically, and which will pass here at some point, is going to knock out the alleged surplus. So all of these alleged tax extenders which theoretically they are going to pass and at least they are going to put press releases out on are not going to occur, because they put language in this budget which says if there is a deficit, those tax extenders are recaptured, and they end. They come to an end.

So this budget is obviously, from our point of view—and it is our point of view. It is not their point of view. I don't argue with the fact that they believe they have put together a great budget. I mean in their mind, in the mind of the person who believes we should dramatically expand the size of government, dramatically increase taxes on the American people, this is a heck of a good budget. I don't argue with that. But from our perspective, when we think Americans should keep as much of their tax dollars as we can leave them with, because it is their money and they will spend it better, and they are more efficient using it than we are—we should keep a low capital gains rate; we shouldn't penalize seniors who have dividend income as their main source of income—from our perspective, this budget has the wrong priorities because it raises the taxes on capital gains and raises the taxes on dividends significantly.

In addition, it has the wrong priorities because it expands spending significantly—$500 billion in new spending and entitlements. Remember: Probably the biggest threat we face as a nation—fiscal threat—in fact, the biggest threat after, in my opinion, the threat of Islamic fundamentalism and the terrorists using a weapon of mass destruction against us—is the impending economic meltdown of this country as a result of the burden that our generation, the baby boom generation, is putting on the next generation through the entitlement accounts. There is $66 trillion of unfunded liability, $66 trillion—a huge number. Nobody knows because it is hard to define what $1 trillion is. But if you take all the taxes paid since the beginning of this Republic—I think you are talking about something like $37 trillion—and if you take all of the net worth of the American people—all their cars, all their homes, all their stock—and add it together, you come up with something like $45 trillion.

So we have a liability on our books which involves three programs—Social Security, Medicare, and Medicaid—that exceeds the net worth of the Nation and exceeds the amount of taxes paid in this Nation since we began as a nation. That is a huge problem for us. You have to start to address it.

One of the good things the President's budget did was suggest a couple of ways to address it. In fact, he sent up a proposal which would take about 20 percent of this problem as it relates to Medicare, which is the biggest part of the $66 trillion, and would have made Medicare 20 percent less insolvent—which is a big number, by the way. That was a big step. The proposals he sent us had no impact on the vast majority of beneficiaries—no impact at all. He suggested that wealthy Americans such as Warren Buffett, for example, qualify for the Part D premium under Medicare, under the Medicare drug program, or some other extraordinarily wealthy person, should pay a fair share—not all, but should pay a fair share of the cost of the premium of their drug program. That was a reasonable suggestion. What happened to it? It was rejected by the other side of the aisle.

The President suggested that we use IT and disclosure of performance at different levels that medicine integrates with the patient so people could make more intelligent purchasing decisions, so employers and insurers could make more intelligent decisions but, more importantly, Medicare could. What happened to that idea? It was rejected by the other side of the aisle.

The President suggested we should do something about the runaway cost of malpractice, about the trial lawyers essentially running up extraordinary costs on health care providers, especially doctors, and that we should do something to limit that. It is a reasonable suggestion rejected by the other side of the aisle.

How much entitlement saving is in this bill? Zero. Zero entitlement saving is in this bill. Here we are facing probably the most significant fiscal issue of our time and we do nothing about it in this budget. In fact, under the present law, we as a Congress are required by something called the Medicare drug trigger to adjust Medicare spending to bring it down under what is known as a trigger level. It is a technical point, but Medicare Part D premium isn't supposed to exceed 45 percent from the general fund. And we have now gotten a directive from the trustees in the Medicare trust fund to act, and it would cost not a large amount of money in the context of this entire budget—$1.3 trillion.

Mr. CONRAD. Billion.

Mr. GREGG. Billion, thank you. Billion. I got into my trillions. It would cost $1.3 billion to correct this. That proposal is nowhere in this budget; nowhere in this budget. It is hard to believe we couldn't even do $1.3 billion when we have been directed to do it, when we passed the law. It was our law that said we would do this if this problem occurred. Yet the courage isn't there to do even that in the area of entitlements, which is truly irresponsible, an act of malfeasance by the Congress. So entitlement spending remains unaddressed.

Interestingly enough, I heard Senator OBAMA on the stump a couple of days ago—maybe it was a week ago—talking about how he was never going to allow anything to happen to the Social Security recipient or the Social Security trust fund. It is that type of language which absolutely guarantees our children are going to get a bill here that they can't afford, that our generation, the largest in the history of the country, which will double the number of retirees, is going to basically put a weight on our children and our children's children that will make their lives less enjoyable than ours because they will not be able to afford the dollars it costs to support our generation and still be able to buy their homes, send their children to college, and buy their cars because of the tax burden generated by the entitlement costs.

So that irresponsibility is permeated in this budget when it does nothing on the issue of entitlements. Speaking of Senator OBAMA, I am entertained by the fact that this budget, which will have three-fourths of its life under the next President, must assume that the next President will not be Senator OBAMA because he has proposed $300 billion of new spending—$300 billion—in the first year of his Presidency. He proposed 187 new programs. We can only score 143 of them because the other ones were not specific enough. But if you score 143 of them, they add up to $300 billion of new spending just in the first year.

As I said earlier, Senator OBAMA said he is going to pay for this by taxing the wealthy. That is what he said. But if you look at this budget, they have already spent that money. This budget already assumes the wealthy are going to be taxed. The $1.2 trillion tax increase in the budget assumes the top rate in the 2010, 2011, and 2012 period jumps back to President Clinton's level of 39.5 percent. So the budget, which already is projecting deficits in the $400 billion range, already presumes inside of it, as it is presented here, a jump in the top marginal rate, which is the rate on the richest Americans. That money is already spent. It was spent when the other side of the aisle decided to increase entitlement spending by $500 billion under this budget and increase discretionary spending by close to $300 billion under this budget. So where is he going to find the money to pay for his $300 billion of new programs? I don't know. But one thing is pretty obvious: We are going back to the future with enthusiasm. Yes, we can raise taxes and, yes, we can raise spending; that will become the theme not only of this budget but future budgets should we have a Democratic President and a Democratic Congress.

This budget really doesn't do much to address the issues the American people need to have addressed. Those issues involve, No. 1, doing something on the issue of entitlements; No. 2, maintaining a tax law which creates productivity, which energizes entrepreneurship and says to small business people, go out and create jobs; No. 3, disciplines our fiscal house by containing discretionary spending under a trillion dollars.

Those are not really that dramatic or that heavy a lift to undertake. There is no reason we could not keep spending under a trillion dollars on the discretionary side, no reason we could not have taken the small steps, like asking wealthy people to pay a bigger part of—or any part of—their Part D drug premium. There is no reason this budget could not have contained within it some initiatives which would have controlled discretionary spending and would have continued to promote the tax policy we have seen for the last 3 years, which has generated a massive increase in revenues for the Federal Government, especially from capital gains.

Another course that was chosen—the course that is circular—goes back to the way we did things in the past when we had the last Democratic Congress. That course said you have to raise taxes because the American people don't know how to spend their own money, so we have to do it for them. It is a course that says the Government should always grow, and grow fast. There is nothing in the Government that should be reduced. It is a course that says we should add to the Federal debt at a radical rate. It is a course that says we should ignore real problems—the biggest problem we have, which is entitlement spending.

I want to put in one footnote because I think it sort of encapsulates the whole discussion about discretionary spending. The Senator from North Dakota got up and said we had to keep the COPS Program, which was a great program, and put cops on the street. There isn't one program that their budget proposes that we eliminate on the discretionary side that I found. Everything either gets increased or is maintained.

The COPS Program is uniquely appropriate to be eliminated. Why? Don't listen to me. Listen to President Clinton. He created the COPS Program, and he created it with this caveat: This will be a 3-year program.

That is what President Clinton said—that when we get to 100,000 police officers on the street as a result of this program, this program will be terminated. That was the program that was proposed. Not only did we get the 100,000 police officers on the street—because I chaired the committee of jurisdiction at that time—we put 110,000 new police officers on the street using Federal funds. Then, following on the suggestion of what the original program was, and following the edict of President Clinton, we started to phase out that program. It should have been completely phased out. That was 8 or 9 years ago that we hit what the number was under this Federal program. The program is still here. It is a classic example of how programs work. Once they are in place, the interest groups that support them demand that they stay in place forever. Obviously, we all believe police officers do a great job. We admire them, respect them, and they protect us. But this program fulfilled its obligation. It did what it said it would do, and it worked. It should have been terminated, just like President Clinton suggested.

Now, the other side of the aisle, 8 to 9 years after that event, is still claiming this program has to be kept and grown. That is the difference between our parties. We think when somebody puts in a program that says it will last 3 years, with certain goals, and those goals are met and the 3 years are over, the program should be ended and the American taxpayer should get to keep the money from ending that program.

The other side of the aisle thinks we should continue the program forever, grow it, and take money out of the American taxpayers' pockets to pay for something on which we have already fulfilled the responsibility. That is the difference. It is a fundamental difference between our parties. They are in the majority. They have the right to write a budget however they want it. They have done that. It is a budget that has the world's largest tax increase, has significant increases in spending, significant increases in entitlement spending, crosses the trillion-dollar line on the discretionary side, does nothing about containing entitlements, and plays games with enforcement mechanisms relative to the budget. We would not have written this budget. That is why we are opposed to it.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Madam President, I am delighted that our colleague talks about our fiscal record and theirs. He talks about circling back to the policies when the Democrats controlled the White House. He is right that there is a difference. The difference is that when the Democrats last controlled the White House, we had record surpluses, and we were paying down the debt. Under the current President, we have record deficits and record debt.

I am delighted to talk about the record because here is their record: In each of the last 3 years of the Clinton administration, we had achieved a budget surplus, we were paying down the debt, and the CBO was projecting that the budget would remain in surplus for years to come. By the time the Bush administration came into power, we had achieved three consecutive years of surplus and were expecting more. But, the Bush administration squandered every dime. By the time this President is done with his responsibility, they will have run up the debt from $5.8 trillion to over $10 trillion. That is the difference in the record. Under the last Democratic administration, we ran surpluses and paid down the debt. Since then, under the Bush administration, the Nation has been beset by record deficits and record levels of debt. That is a fact.

Now, my favorite quote of my colleague on the other side—first, let me say I have respect for the ranking member. I have affection for him, and we are friends. But we have a big divide when it comes to fiscal policy. I think the policies of this administration have been reckless. I think they have dug an enormously deep hole for this country.

I think the factual record is very clear on the differences between our two parties. Under President Clinton, we achieved record surpluses, and we were paying down the debt. Under President Bush, the Nation was plunged right back into record deficits and debt. That is a fact.

But the thing I enjoy most about my colleague's speech is how similar it was to the speech he gave last year. This is what he said last year:

It includes, at a minimum, a $736 billion tax hike on American families and businesses over the next 5 years—the largest in U.S. history.

The only difference is that now he is saying this budget is the largest tax increase in the history of the world. We can now go back and look at the factual record about what our budget did that was put into place last year.

Did it increase taxes? Did it increase them by the largest in U.S. history, as he asserted last year? Well, let's look. Here is the record—not a speech but the factual record. We had Democrats controlling the House and the Senate, and the assertion last year by the Senator from the opposite party was that there would be the largest increase in the history of the United States. But what happened? Was there the largest tax increase in the history of the United States? No. Was there a tax increase? No. Was there a tax reduction? Yes. Here it is: Tax cuts enacted, $194 billion; offsets and closing loopholes, $7 billion; net tax reduction, $187 billion.

Now, that is the fact. So much for speeches and for hyperbole. Let's deal with facts.

Debt: The President's budget has $83 billion more of debt than the budget we have offered from our side. The Senator questions the Baucus amendment, which is included in this budget, that extends key middle-class tax cuts. That is included in the conference report. We provide $340 billion of tax cuts in this budget.

What is he talking about, the biggest tax increase? There is no tax increase in this budget. None. Zero. There are $340 billion of tax reductions for the middle class in this country who deserve it.

The Senator says: Why haven't they presented a bill, because they had the Baucus middle-class tax cut extension in last year? Why haven't we? Because, as the Senator well knows, those tax cuts are in place until 2010. We didn't need to take action last year. We don't need to take action this year. Those tax cuts are in place now. But in this 5-year budget, we have provided for their extension because we know they run out in 2010. But there is absolutely no need to have taken the action to extend them last year or this year because they are already in place.

Let's deal with facts. The Senator talks about BARACK OBAMA'S budget. BARACK OBAMA doesn't have a budget. BARACK OBAMA is not the President of the United States. He is asserting he has $300 billion of spending increases. I notice he didn't say anything about the McCain budget because while JOHN MCCAIN is not the President, either, he has proposed $3 trillion—not $300 billion but $3 trillion—of additional tax cuts, and we already can't pay our bills. We already are borrowing hundreds of billions from China and Japan. So apparently the McCain plan is to borrow some more money from China and Japan. That is what the party of the other side has become, a party of borrow and spend—they've spent $600 billion so far in Iraq with no end in sight, and they've borrowed so much that the debt will have increased from $5.8 trillion to $10.4 trillion by the time this President is done.

Then there is one other item to which I need to respond, and that is on the question of the pay-go. The Senator says that pay-go is meaningless. What is it? It requires that if there is new mandatory spending or new tax cuts, they must be offset. That is pay-go.

The Senator used to support pay-go. This is what he said in 2002:

The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event. . . . If we do not do this, if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress and, as a result, we will dramatically aggravate the deficit which, of course, impacts a lot of important issues, but especially impacts Social Security.

The Senator was right in 2002, and, in fact, his prediction came true because his party abandoned pay-go, drove up deficits, drove up debt, and we are the worse for it as a nation.

If you wonder about pay-go, here is the record. We had strong pay-go in effect between 1993 and 2000. The deficit was reduced each and every year between 1993 and 1997 and, by 1998, we actually got into surpluses, as I indicated before, which rose in each year through 2000. Then our friends on the other side took charge of the White House. They immediately weakened pay-go, and we plunged right back into deficit. We put pay-go back into effect, and we are starting to dig out of the very deep hole they have dug.

On the issue of pay-go being waived, pay-go has been raised 16 times; pay-go has been waived once—once.

The Senator says pay-go is not working. I disagree. Excluding the alternative minimum tax provisions that were put in place last year to prevent the alternative minimum tax from costing 20 million people more taxes, instead of offsetting that, the alternative minimum tax was prevented from being expanded without paying for it. If you leave out that one item, the Senate pay-go has a scorecard with a positive balance of over $1.5 billion over 11 years.

Every bill sent to the President, other than the alternative minimum tax and the stimulus, which, of course, could not be offset if it was to have a stimulative effect—that was totally bipartisan, both those were totally bipartisan—every bill sent to the President other than those two has been paid for or more than paid for.

Pay-go also has a significant deterrent effect, preventing many costly bills from being offered.

With respect to the specifics of my colleague's criticism, I will enter into the RECORD every one of the items he referenced: immigration reform, the Energy bill, mental health parity, prescription drug user-fee amendments, minimum wage, Water Resources Development Act. Every one of them is paid for. CHIP reauthorization, the farm bill—he just talked about the farm bill. The farm bill, which we will vote on sometime later today or tomorrow to overturn the President's veto, is totally pay-go compliant. It is paid for and without tax increases. Higher education, the reconciliation bill, the 2007 supplemental—every one of them in terms of the bill that actually went to the President is paid for.

When the Senator from New Hampshire calls pay-go ''swiss cheese-go,'' I call their budget approach ''easy cheese'' because they have faked fiscal responsibility around here long enough, and we are calling them on it because now we have their record, and their record is record deficits, record debt, record borrowing from abroad. That is their fiscal record. It is a fact. It can be checked. They are going to have a hard time running away from their record as we go into an election year.

Madam President, I see my colleague, Senator MURRAY, is here. How much time does the Senator wish?

Mrs. MURRAY. Ten minutes.

Mr. CONRAD. I yield her 10 minutes.

The PRESIDING OFFICER. The Senator from Washington is recognized for 10 minutes.

Mrs. MURRAY. Madam President, I thank my colleague, the chair of the Budget Committee. He has done an amazing job putting together a budget of which we can all be very proud.

For the last 7½ years, the current administration has really mismanaged our economy and failed to make the kinds of investments that keep our country strong. We all know American families have really paid the price. We have gone from a budget surplus to a record deficit, our infrastructure is crumbling, and our economy is now nearing a recession, if we are not already there. So as we finalize this year's budget, we have to ensure that we are investing in our future and addressing our country's real priorities.

It seems that every day the news we hear gets worse about job loss, about skyrocketing gas prices, about the number of families who risk losing their homes in the mortgage crisis. And in the eighth and final budget this President has sent to us, he has really sent us off on a fiscally irresponsible path. He has given us a dishonest budget that fails to own up to the true cost of the war, and it will require us to borrow billions of dollars from foreign governments to meet our expenses.

I want to give a few examples of how out of touch President Bush's budget is.

People today are struggling to pay for heat and rent. Yet President Bush sent us a budget that proposed to cut low-income heating assistance and housing and neighborhood revitalization programs, such as section 8 and CDBG, right when our constituents are fighting so hard to pay their mortgages to make sure they stay in their homes.

The wars in Iraq and Afghanistan are creating thousands of new veterans every single year, many of them, as we know, with severe injuries and specialized needs. But President Bush sent us a budget that cut critical programs at the VA, including medical research and State extended-care facilities.

More than 1 million people are going to lose their jobs this year. What did President Bush do in his budget proposal? He cut $484 million from critical workforce training programs.

Health care continues to be out of reach for millions of Americans who don't have insurance or, in some cases, don't have access to doctors or nurses. Yet the President sent us a budget that freezes Medicare reimbursement levels for our hospitals and hospices, for our ambulance services, long-term care facilities, and he decimated funding for training programs for our health care professionals.

It is past time that this administration joined with the majority in Congress and the majority of people in this country to make America's families, the working families, our first priority.

The budget conference resolution makes responsible choices that will help get our economy rolling again and invest in our country's real priorities. With this budget which will be before the Senate shortly, Democrats are investing in programs that help families meet expenses and get ahead, things such as schools and health care and job training. Our budget makes up for President Bush's misguided proposals to flat line funding for education and rob students of the opportunities they need to get ahead.

We are restoring the vital funding the President has slashed from our Nation's job training programs to help youth and adult and dislocated workers get the skills they need so they can succeed in our global economy.

We are investing in health care by adding much needed funding for our health professions, the National Health Service Corps, our community health centers, and other programs that help to ensure Americans can see a doctor when they are sick.

We are ensuring our communities at home are safe by funding the homeland security grants and restoring cuts to local law enforcement programs.

Our budget fully funds the port security grants which the President proposed cutting in half. And it restores his dangerous proposal to cut almost $750 million from State homeland security programs and grants. Those are programs that help pay for security improvements, training, and equipment—all of the items that our first responders need so they can prepare for the worst in our communities at home.

Democrats are making critical investments in infrastructure in this budget which will help boost spending and create jobs, while making much needed repairs to our roads and our bridges. We are also preventing a projected shortfall in the highway trust fund so we can keep our commitment to States and communities and ensure that our roads, bridges, and highways are safe and up to date.

This budget ensures we are not turning our backs on the Hanford Nuclear Reservation in my home State or the many other States in our nuclear complex where workers sacrificed to help make nuclear material during the Cold War. Hanford and other sites like it are still home to millions of gallons of nuclear waste and other dangerous material, and the Federal Government has to live up to its promise to clean them up. The longer we stretch it out, the more the cleanup is going to cost over the long run. The budget that will be before us reverses the trend of failing to invest, and it is a big step toward getting us back on schedule.

Finally, in this budget, we are doing the right thing for our veterans. The number of veterans is increasing every day, and the list of needed repairs and expanded facilities in the VA system is stacking up as well. But what does the administration send us? A budget that proposes new fees and increased copays that will essentially discourage millions of veterans from even accessing the VA. In his budget, the President also underfunded VA medical care, VA medical and prosthetic research, and he cut funding for major and minor construction by nearly 50 percent.

I have made it clear over the last several years that I believe denying access or discouraging veterans from seeking care because of their income is morally wrong, and I believe it will also make it harder in the long run for us to maintain a strong voluntary military. Democrats are making sure that we keep our promise to the men and women who have served us so bravely.

I thank our chairman, Senator CONRAD, for his leadership and his tremendously hard work to get us to this point. I urge all of our colleagues to support this budget. This budget sets priorities and gives us critical direction as we begin the appropriations process. The American people desperately want us to take the steps that have been laid out in this budget. Our budget creates jobs, it rebuilds our roads and our bridges, it cares for our veterans, it invests in education, it helps our families meet their basic needs, and it gets us to surplus by 2012. After years of this President's unrealistic policies, Democrats with this budget are making sure that working families are again priority No. 1.

Madam President, I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Madam President, I thank the Senator from Washington, who is an extraordinarily able member of the Budget Committee, someone upon who I rely for much of the very hard work of the committee. She is simply outstanding, and I thank her for her leadership and most of all for her friendship.

Madam President, I ask unanimous consent that the gentleman from Iowa, Senator GRASSLEY, be given 30 minutes on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Iowa is recognized for 30 minutes.

Mr. GRASSLEY. I thank the Senator for providing time for me.

For 6 years, and those would be the years 2001 and 2003 through 2006, the budget resolutions provided the necessary resources that allowed the Finance Committee, the tax-writing committee, usually in a bipartisan manner, to realistically address the demands of tax policy. I am disappointed to say that this year, like last year, is different.

The people spoke in November of 2006, and for this year—and last year—the Democrats are in the majority and in control of the congressional budget process. As ranking Republican on the Finance Committee, a committee I used to chair, like last year, I was not consulted at any point by our distinguished chairman on this budget resolution. Unfortunately, after reviewing the resolution conference agreement, it is clear it does not realistically address the tax policy needs the Finance Committee is very concerned about and has the responsibility to do something about.

I am going to take a look at what the budget means to the American taxpayers in two timeframes, from now until January 20, 2009, and then for the period of time long term. Short term first; long term, the period of time after the new President is sworn in starting January 20, 2009.

Let's take a look, then, at what this budget says to the American taxpayer near term. For the hard-working American taxpayer, the news is not all bad. I complimented the distinguished chairman for preserving the ''unoffset'' AMT patch for this year in the budget. He had to concede a new point of order to the House, but my guess is there will be 60 votes to waive it when the AMT patch is brought up. The problem that 26 million families face is uncertainty of the action on the AMT patch this very year. In other words, right now.

I have a chart here I wish to put up. It is the estimated tax voucher, a form that people fill out for making quarterly payments. Many of the 26 million families facing the AMT technically should be adjusting their withholding upward and filing the 1040–ES form with a check for a portion of the AMT they already owe because Congress hasn't acted yet to prevent the AMT from expanding to almost 25 million more Americans, which I don't think will happen, because I think we will take care of it in time, but who knows. But right now, those filing quarterly should have made this payment, filled this form out, on April 15. That is when the first quarter's estimated tax is due, and that is what the tax law says right now.

This is all a problem because the House Democratic leadership won't send us an ''unoffset'' AMT patch. Now, let's make it clear what the Constitution says, so people don't think I am only blaming the House of Representatives. The Constitution says tax laws must start in the House of Representatives. So why then won't the House Democratic leadership send us an ''unoffset'' AMT patch bill so we can get it to the President? Here is the problem. The House Blue Dog Democrats will not support an ''unoffset'' AMT patch bill.

Now, why wouldn't the Blue Dogs do that? And I am not accusing them, I am stating what their position is. The answer is the Blue Dogs are a growing presence in the House of Representatives. Most of the seats that shifted from the Republican column to the Democratic column in the 2006 election are occupied by Blue Dogs.

The Democratic-leaning Washington punditry and the Democratic leadership have gloated recently about the trifecta that has happened because of the House special congressional elections this year. By trifecta, I am referring to the three House races that were switched from Republicans to Democrats this year, not something this Republican is proud about. All three of those Members have joined or intend to join the Blue Dog coalition in the other body.

Lord knows we have heard a lot of gloating from the other side about these three new so-called conservative Democrats. We have also heard from a lot of Republicans crying in their favorite beverage about this outcome.

The Blue Dogs have had a heavy hand in this budget and are the leading obstacle to getting the ''unoffset'' AMT patch bill done and to the Senate so we can send it to the House. So if the Blue Dogs are representing themselves as strict agents of fiscal responsibility, it is a fair question for every one of us to ask about their definition of fiscal responsibility.

Let's take a look at it. I have another chart here. This chart contains a depiction of the most famous Blue Dog. Here he is, the most famous Blue Dog, Huckleberry Hound, showing us the definition of fiscal responsibility from his Blue Dog perspective. Now, here we have Huckleberry Hound barking ''fiscal responsibility.'' American taxpayers should beware. Huckleberry Hound's bite happens to be higher taxes. With respect to spending cuts, all we get is a whimper. No spending cuts.

Maybe I am being too tough on Huckleberry Hound and his Blue Dog friends, but I have yet to see the empowered Blue Dogs propose spending cuts for deficit reduction. All I have seen is higher and higher taxes. Like their liberal brethren, Blue Dog Democrats only look to the American taxpayers to fund new spending. We are seeing it once again on the war supplemental bill. Why couldn't they find a spending cut here or there to pay for the popular veterans' benefit package? Why always go to tax increases?

The reason I point this out is this group of House Members is holding up our ability to pass an AMT patch bill in a form that can pass the Senate and in a form that can be signed by the President. The Blue Dogs' bark of fiscal responsibility is stalling relief for 26 million AMT families. The Blue Dogs insist on getting their bite of $62 billion in new taxes as a condition to sparing these 26 million families from the AMT.

I agree with the Blue Dogs on the importance of fiscal responsibility. And as I have stepped up to the plate over the years with plenty of revenue raisers, well, if you have any questions, ask the people downtown in what we call the K Street crowd who think of defending all these tax loopholes we are trying to close. But the Blue Dogs whimper when it comes to spending cuts. They only look at the taxpayers for fiscal responsibility. This obsession with raising taxes, most pointedly advanced by Blue Dogs, is a theme that runs through this budget.

I am going to turn now to the short-term tax legislative agenda and examine how the budget squares with what we need to do.

As a farmer, I would like to think we country folks can teach city folks a lesson or two. The first chart I am going to put up here involves the method a lot of us farmers use to get our water. You will see a well in this chart. You can see it as a long well. There is a little bit of water way down there at the bottom of the well, but most of the well is dry.

Now, what we are told by those who drew up the budget is that the tax-writing committees will somehow plain find the money. Well, find the money. You have to have some sort of consensus to do that, because in the Senate, to get anything done, you have to have some bipartisanship. We will find the money, they say, to pay for this time-sensitive tax business we have to deal with. Now, these are not just abstract things; these are pending matters. They are pieces of legislation on both sides that we say we want to get done before this session ends.

The offset well here shows about $58 billion that is known, that is identified, and that is scored revenue raisers that the Senate Democratic caucus supports. I used this chart several months ago trying to make similar points. I have updated it to assume that the farm bill will become law, and I think that is going to happen within 48 hours.

As a rule of thumb, the Finance Committee tax staff, in a bipartisan way, has developed about $1 billion per month in new offsets. That figure of $1 billion per month is in line with our historical average, the success we have had of gleaning money by closing loopholes. How reliable is that average, and can we count on it?

As a farmer, I know something about the predictability of rainwater. You hope you will get rain and that will give you a decent level of well water. As a former chairman and now ranking member of the Finance Committee, I know something about revenue raisers. I have been there and done that. When I was chairman, I aggressively led efforts to identify and enacted sensible revenue raisers aimed at closing the tax gap and shutting down tax shelters. And as ranking member, I continue to look for ways to shut off unintended tax benefits. So I consider myself to be a credible authority on what is realistic when it comes to revenue raisers.

From 2001 through 2006, Congress enacted over 100 offsets, with combined revenue scores of $1.7 billion over 1 year, $51½ billion over 5 years, and $157.9 billion over 10 years. So if you look at recent history, we can realistically figure the tax staff will find about $1 billion a month. Let taxpayers who are trying to avoid honestly paying taxes beware of that.

Right now, however, all we can find that is specified, that is drafted and is scored, is that $58 billion. The revenue-raising well shows about $58 billion in available, defined, and scored offsets.

Defenders of the resolution before the Senate will say a virtual cornucopia of revenue raisers is there from the tax gap and from shutting down offshore tax scams. I take a backseat to no one on reducing the tax gap or shutting down offshore tax shelters. I have scars to show from my efforts over the years. But the defined as well as the scored tax gap proposals are included.

We have that here already.

Likewise, we have a proposal targeted at tax haven countries and other off-shore activities on this chart. The well has, then, about $58 billion of offset water. This budget anticipates Congress will be thirsty for this limited group of offsets. On the thirst or demand side, you will see the bucket will be busy bringing up that water. On the demand side, I have talked about next year's AMT patch—there is $74 billion for the patch for next year. There is $16 billion for tax provisions that ran out at the start of this year. That estimate, by the way, is probably low. Then there is $29 billion for next year's extenders, and there is $15 billion for the energy tax package we want to pass.

If you add up those things—and we have to add the $5 billion we have there for the Federal Aviation Administration reauthorization bill, if we get to it—and I hope we get to it. So the pending, the time-sensitive tax business totals what? It is $139 billion that we have to bring up in that bucket.

You see $59 billion of real money is available. That is quite a difference. We are short about $80 billion. I have not even included the demands from the myriad of reserve funds that are mentioned in this resolution. Since we know from almost a decade of fiscal history that the Democratic leadership cannot propose spending cuts, we know the new reserve funding spending will be paid for with tax increases. It has been shown to be the case since the Democrats took power in January 2007.

As I said earlier, the Blue Dogs in the House of Representatives are leading proponents of this tax and this spending practice. You can see it doesn't add up. The budget plan for tax legislative business is very much out of balance. It is out of balance by at least $80 billion. Even if the Senate were to adopt some of the new tax hikes that the House has come up with, we would be substantially still out of balance.

I might add I have included in the Senate offset accounting proposals the House has rejected. So I think on this chart is a fairly conservative estimate.

What is going to happen? How do we then bridge that $80 billion gap? Either the tax relief is not going to happen or we will add that to the deficit. That is a frightening proposition. I had hoped that the shortfall would be confined to the short term, but that is not the case. Over the long term—and I said I had a short-term view and a long-term view of this budget resolution. So what does it look like after January 20, 2009? It gets much worse.

Let's take a look at the budget's assumptions about revenues over that long term. Over the 5-year budget window going out to the year 2012, keeping existing policy in place will have a revenue effect of over $1.2 trillion. This includes AMT relief, extension of bipartisan 2001 and 2003 tax relief, and extending other broadly supported expiring provisions.

In the aggregate, this budget appears to provide $340 billion in new resources for extending these policies over the 5-year window. Let's look further, and you will find a complicated obstacle course to making any of this tax relief happen. To me, the conditional tax relief language is almost bait and switch. Senator GREGG has described in great detail how this mechanism would work. To me, it is as convoluted as a Rube Goldberg type of invention. So I have another chart.

The chart shows a Rube Goldberg potato peeler invention. If you want to peel potatoes, I would tell Rube Goldberg to use a simple potato peeler. If you really mean to deliver tax relief, I would tell the majority, the Democratic majority, write it into the resolution. Make it very clear. Don't use a Rube Goldberg mechanism.

Suffice it to say, the supposed $340 billion in tax relief targeted to 2011 and beyond assumes it will not be used for future spending. Does anybody really believe this new majority will not spend future tax relief if given the chance? If your answer is yes, then I have a few bridges in Iowa that I will sell you.

Under this budget, $1.3 trillion in expiring entitlement spending is assumed to continue. It is right in the CBO outlook. So, Mr. and Mrs. Taxpayers, that is right, your taxes will go up by almost $1.2 trillion unless Congress raises taxes to offset the revenue loss.

When it comes to expiring entitlement spending, it is quite a different story. There is no requirement in this resolution for Congress to do any heavy lifting. This emphasis upon higher taxes and higher spending is reinforced by the pay-as-you-go rules, or we say pay-go around here. That is this budget's notion of fiscal responsibility—unrestrained spending is good, higher taxes are good.

Over the 5 years of this budget resolution, it assumes a dramatic tax increase—at least $1.2 trillion. In 2011 the bipartisan tax relief plan will expire. Some folks will call these provisions the Bush tax cuts. I suppose that term, ''Bush tax cuts,'' arises from polling by campaign outfits on the other side. It is true President Bush signed both bills, but the bipartisan compromises occurred in the Senate Finance Committee. In 2011 President Bush will have been gone from office for a couple of years. You can call this package of tax relief for virtually every American the Bush tax cuts, but for the taxpayers, if Congress does not intervene, it will be a tax increase and it will be the biggest tax increase in the history of the country and it is all going to happen without a vote of the Congress.

So I would like to run through a couple of examples. The first would be a family of four. There is the husband, his wife, and their two children. This family makes $50,000 in income. That is right about the national median household income today. For example, the Census Bureau stated that for 2006 the national median household income was $48,200. Under the Democratic leadership's budget this family will face a tax increase of $2,300 per year. That is a loss in their paycheck of about $200 per month. It is a hit on their yearly budget of $2,300. Where I come from, that is real money.

I will give another example, this one a single mom, two children. She earns $30,000 a year. In 2011, under this budget, she and her family run straight into a brick wall—that is a brick wall of $1,100-per-year taxes. That is $100 a month out of the family's budget.

Some on the other side will say they only excluded top-rate taxpayers or other high-income folks from tax relief. I am going to tell you don't believe it. We have tax bills of the previous several decades to prove it, that you don't tax just the wealthy when you raise taxes. The facts are otherwise. Low-income folks, including millions of seniors, pay no tax on their dividends or their capital gains income. If this budget stands, even with the Baucus amendment, millions of these low-income taxpayers, especially seniors, will pay a 10-percent rate on capital gains and could pay as high as a 15-percent rate on dividends.

Nationally, over 24 million families and individuals reported dividend income. Let's say that again—24 million Americans reported dividend income—because you think it is just a few hundred thousand of very wealthy people—24 million families. In Iowa, for instance, we have 299,000 families and individuals claiming dividend income on their income tax returns. There are not 299,000 millionaire families and individuals in Iowa. Nationally, we are talking about over 9 million families and individuals reporting capital gains income. In Iowa we are talking about 127,000 families and individuals.

There are many marginal rates other than the top rate that would rise if this budget stands, even with the amendment of Senator BAUCUS. The 25-percent rate—which for 2007 starts at $31,850 for singles and $63,700 for married couples—would rise by 3 percent, to 28 percent. The 28-percent rate would go up 3 percentage points to 31 percent. The 33-percent rate would go up 3 percentage points to 36 percent. The top rate would go up from its current 35 percent level to 39.6 percent.

To sum up, even with the Baucus amendment added to this budget, there would be marginal rate increases on millions of taxpayers, and not just millionaires. Those marginal rate increases would reach taxpayers with taxable incomes as low as $31,850 for singles and as low as $63,700 for married couples.

What I just described is accurate only if the Democratic leadership intends to follow the letter and the spirit of the Baucus amendment. If you look at last year's track record, the House neutered the effect of the amendment in the conference committee. They created a Rube Goldberg type of mechanism to impede the amendment.

As I pointed out a few minutes ago, that mechanism is right back again. Of course, after the budget conference report was agreed to, all talk and action around the amendment then somehow ceased.

I wouldn't put much stock on the followthrough on the Baucus amendment. The distinguished chairman and friend of mine points out that since last year's budget, we passed tax relief of $50 billion for last year's AMT patch. He will also point to the stimulus package passed earlier this year. The senior Senator from North Dakota is correct that those tax relief packages did pass. He used the assertion to counter the assertion on our side that there is a $1.2 trillion tax increase in the budget.

The distinguished chairman omits a critical fact in his assertion, and that is the ''unoffset'' AMT patch passed only because Senate Republicans and the administration insisted that they would not use the AMT problem as a money machine for current and future spending. If the Democratic caucus had prevailed, the AMT patch would have been offset.

Likewise, on the stimulus bill, there was bipartisan consensus that economic stimulus should not be a tax increase.

When you step back from the differences across the aisle on this budget, you probably will not be surprised to find some differences among Presidential candidates. Generally, the candidates on the other side have proposed to take heavily from the taxpayers under the guise of fiscal responsibility. This is true when they are talking about ending the bipartisan tax relief plans of 2001 and 2003. It is true when they are talking about the same loophole closers for a myriad number of expansions of existing entitlements and creating new ones. Nowhere is there discussion of reining in spending.

So the tax side of the Federal ledger is the only route to fiscal responsibility from the perspective of Presidential candidates on the other side of the aisle.

I wanted to give you one telling example. One Democratic candidate has proposed to repeal the bipartisan tax relief plans for taxpayers earning above $250,000. This proposal raises $226 billion over 5 years and 10 years. A key fact is that the source of that revenue peters out over the next few years because under current tax law, the tax relief sunsets at the end of 2010.

Madam President, I ask unanimous consent for an additional 4 minutes.

Mr. CONRAD. I say to the Senator through the Chair that we would be happy to accede to the request if the Senator could say something nice about the chairman of the committee.

Mr. GRASSLEY. Besides the work of Senator HARKIN, we have an outstanding farm bill because of the hard work of the Senator from North Dakota.

Mr. CONRAD. What a kind and gracious thing to say. We would be happy to agree to the request. The Senator would like 4 additional minutes.

Mr. GRASSLEY. I think that is it.

Mr. CONRAD. Why don't we give the Senator 5. You can give back any time.

Mr. GRASSLEY. Sure.

Mr. CONRAD. May I interrupt the Senator and ask unanimous consent when the Senator has concluded, we go to Senator WYDEN?

How much time would the Senator speak?

Mr. WYDEN. I think it would range up to 10 minutes.

Mr. CONRAD. Are we confident that 10 is sufficient?

Mr. WYDEN. Yes.

Mr. CONRAD. Then I ask unanimous consent to go to Senator WYDEN for 10 minutes after Senator GRASSLEY.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Well, I was talking about Presidential candidates and what their budget plans might do.

Like the Democratic leadership's budget, the candidates on the other side oversubscribe the revenue sources from proposals that are popular with the Democratic base. The deficiency can only be made up in three ways: One, other undefined sources of revenue would need to be tapped. The taxpayers should rightly be worried about that avenue. Two, the proposed spending plan would need to be abandoned or curtailed. There is not much history on the Democratic side of this avenue being taken. Three, add to the deficit for the cost of the new programs. Unfortunately, this avenue has been taken too many times.

We will hear a lot of criticism of the Republican candidate, Senator MCCAIN, from those on the other side. They will argue, like the President's budget, a continuation of current-law levels of taxation somehow costs the Federal Government too much revenue, just like all the money every worker makes belongs to the Government and we let the taxpayers keep a little bit of it. They will argue that the spending increases they propose are more important than the restrained levels of the President's budget, and they will argue that despite the record tax hikes in their budget, entitlement reform is a matter for another day. In fact, Senator MCCAIN's plan intends to keep the revenue take where it is as a share of the economy. You see revenue averages of about 18.3 percent of the economy. That is 18.3 of the GDP.

The state of the economy affects revenues more than anything else. There are dips when we have been in recession and peaks when growth is high. Our side cares about keeping the revenue line at a reasonable level, about 18 to 19 percent.

We do not see the merits of an imperative behind a growing role for Government in the economy. The other side disagrees. That is their philosophy, they are entitled to it. I think they are wrong.

They impliedly or explicitly reject our premise that the size of Government needs to be kept in check. That view has been best expressed in an editorial of October 22, 2007, in the New York Times. The lead paragraph says it best:

> President Bush considers himself a champion tax cutter, but all the leading Republican presidential candidates are eager to outdo him. Their zeal is misguided. This country's meager tax take puts its economic prospects at risk and leaves the Government ill equipped to face the challenges from globalization.

But the bottom line is the New York Times directly states the view behind this budget and the position of the Democratic candidates. From this perspective, the historical level of taxation is not somehow appropriate as a measure for the next decade.

The New York Times implies that the Federal Government must grow as a percentage of our economy by at least 5 to 8 points. That is more than ever in the history of the country. If we were to follow the path suggested by the Times, the Government's share of our economy would grow by one-third. One-third. One-third is a great big increase in Government. The Democratic leadership budget takes some big steps on that path. So do the campaign proposals of the Democratic candidates. They go in the same direction.

Our Republican conference takes a different view. America is a leading market economy. American prosperity and economic strength, in our view, is derived from a vigorous private sector that affords all Americans the opportunity to work hard, to save, and to invest more of their money.

A growing economy is the best policy objective. It makes fiscal sense as well. Fiscal history shows that despite criticism to the contrary, the bipartisan tax relief plan drove revenues back up after the economic shocks we suffered earlier this decade. I am referring to the stock market bubble, corporate scandals, and the 9/11 terror attacks. Revenues bounced back when the economy bounced back. The revenue outperformed CBO's projections by a significant extent.

I yield the floor.

The PRESIDING OFFICER (Mr. PRYOR). Under the previous order, the Senator from Oregon is to be recognized for 10 minutes.

SENATOR KENNEDY

Mr. WYDEN. Mr. President, the television news folks spent much of yesterday looking at brain scans and pretty much counting out our friend TED KENNEDY. But I will tell you today, I think the TV crowd is missing a much bigger story; that is, TED is the most determined person I have met, and anybody who counts TED KENNEDY out needs to have their head examined.

Now, earlier today, Senator KENNEDY's son, Ted junior, gave me a call. Ted junior is a wonderful guy. We talked about all of the instances where his family has tackled illness, defeated cancer. Ted junior told me earlier today that his dad is mobilizing, he is building a battle plan against cancer, he is talking to the experts, he is digging out the facts the way we know TED KENNEDY does unlike anybody else here in the Senate. And certainly Senator KENNEDY is not sugarcoating anything.

But I think it is also important to note that he sure is looking ahead. Senator KENNEDY is especially looking forward to the passion of his life in public service, fixing health care and universal health coverage, coverage for all of our people.

TED has always been America's go-to guy on health care. He has always been our conscience, our leader on the premier domestic issue of our time. TED is always telling me—he is telling a lot of